PEBBLEBROOK HOTEL TRUST

FORM 10-Q

(Quarterly Report)

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Address	4747 BETHESDA AVENUE, BETHESDA, MD, 20814
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________.

Commission File Number 001-34571

PEBBLEBROOK HOTEL TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland	27-1055421
(State of Incorporation or Organization)	(I.R.S. Employer Identification No.)
4747 Bethesda Avenue, Suite 1100, Bethesda, Maryland	20814
(Address of Principal Executive Offices)	(Zip Code)

(240) 507-1300
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $0.01 par value per share	PEB	New York Stock Exchange
Series E Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PE	New York Stock Exchange
Series F Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PF	New York Stock Exchange
Series G Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PG	New York Stock Exchange
Series H Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PH	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 23, 2023
Common shares of beneficial interest ($0.01 par value per share)	120,501,861

Pebblebrook Hotel Trust

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Pebblebrook Hotel Trust
Consolidated Balance Sheets
(in thousands, except share and per-share data)

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Investment in hotel properties, net	$ 5,553,122	$ 5,874,876
Hotels held for sale	65,453	44,861
Cash and cash equivalents	182,665	41,040
Restricted cash	8,946	11,229
Hotel receivables (net of allowance for doubtful accounts of $ 519 and $ 431, respectively)	56,842	45,258
Prepaid expenses and other assets	131,800	116,276
Total assets	$ 5,998,828	$ 6,133,540
LIABILITIES AND EQUITY		
Debt	$ 2,366,945	$ 2,387,293
Accounts payable, accrued expenses and other liabilities	272,745	250,518
Lease liabilities - operating leases	320,571	320,402
Deferred revenues	74,576	73,603
Accrued interest	10,720	4,535
Liabilities related to hotels held for sale	1,647	428
Distribution payable	12,156	12,218
Total liabilities	3,059,360	3,048,997
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred shares of beneficial interest, $ .01 par value (liquidation preference $ 715,000 at September 30, 2023 and December 31, 2022), 100,000,000 shares authorized; 28,600,000 shares issued and outstanding at September 30, 2023 and December 31, 2022	286	286
Common shares of beneficial interest, $ .01 par value, 500,000,000 shares authorized; 120,057,744 shares issued and outstanding at September 30, 2023 and 126,345,293 shares issued and outstanding at December 31, 2022	1,201	1,263
Additional paid-in capital	4,097,130	4,182,359
Accumulated other comprehensive income (loss)	45,834	35,724
Distributions in excess of retained earnings	(1,295,089)	(1,223,117)
Total shareholders' equity	2,849,362	2,996,515
Non-controlling interests	90,106	88,028
Total equity	2,939,468	3,084,543
Total liabilities and equity	$ 5,998,828	$ 6,133,540

The accompanying notes are an integral part of these financial statements.

Pebblebrook Hotel Trust
Consolidated Statements of Operations and Comprehensive Income
(in thousands, except share and per-share data)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenues:				
Room	$ 259,397	$ 277,971	$ 706,705	$ 707,997
Food and beverage	91,661	98,080	261,172	261,228
Other operating	44,741	40,642	117,984	103,060
Total revenues	395,799	416,693	1,085,861	1,072,285
Expenses:				
Hotel operating expenses:				
Room	68,065	66,637	189,179	167,102
Food and beverage	69,091	69,296	196,748	179,859
Other direct and indirect	112,596	115,589	324,164	307,317
Total hotel operating expenses	249,752	251,522	710,091	654,278
Depreciation and amortization	63,272	60,372	179,598	179,746
Real estate taxes, personal property taxes, property insurance, and ground rent	32,905	34,641	91,380	98,118
General and administrative	11,549	10,281	32,739	29,675
Impairment	71,416	12,865	71,416	86,119
Gain on sale of hotel properties	—	(6,194)	(30,219)	(6,194)
Business interruption insurance income	(10,881)	—	(32,985)	—
Other operating expenses	3,829	989	9,876	4,045
Total operating expenses	421,842	364,476	1,031,896	1,045,787
Operating income (loss)	(26,043)	52,217	53,965	26,498
Interest expense	(31,022)	(25,020)	(87,996)	(70,753)
Other	1,403	123	2,538	156
Income (loss) before income taxes	(55,662)	27,320	(31,493)	(44,099)
Income tax (expense) benefit	(822)	(1,015)	(853)	(1,015)
Net income (loss)	(56,484)	26,305	(32,346)	(45,114)
Net income (loss) attributable to non-controlling interests	658	1,237	2,999	1,359
Net income (loss) attributable to the Company	(57,142)	25,068	(35,345)	(46,473)
Distributions to preferred shareholders	(10,988)	(11,344)	(32,963)	(34,031)
Net income (loss) attributable to common shareholders	$ (68,130)	$ 13,724	$ (68,308)	$ (80,504)
Net income (loss) per share available to common shareholders, basic	$ (0.57)	$ 0.10	$ (0.56)	$ (0.62)
Net income (loss) per share available to common shareholders, diluted	$ (0.57)	$ 0.10	$ (0.56)	$ (0.62)
Weighted-average number of common shares, basic	120,057,744	130,905,132	122,394,293	130,904,772
Weighted-average number of common shares, diluted	120,057,744	131,149,783	122,394,293	130,904,772

Pebblebrook Hotel Trust
Consolidated Statements of Operations and Comprehensive Income - Continued
(in thousands, except share and per-share data)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Comprehensive Income:				
Net income (loss)	$ (56,484)	$ 26,305	$ (32,346)	$ (45,114)
Other comprehensive income (loss):				
Change in fair value of derivative instruments	9,897	16,487	30,971	53,184
Amounts reclassified from other comprehensive income	(8,003)	(1,337)	(20,766)	5,441
Comprehensive income (loss)	(54,590)	41,455	(22,141)	13,511
Comprehensive income (loss) attributable to non-controlling interests	674	1,339	3,094	1,746
Comprehensive income (loss) attributable to the Company	$ (55,264)	$ 40,116	$ (25,235)	$ 11,765

The accompanying notes are an integral part of these financial statements.

Pebblebrook Hotel Trust
Consolidated Statements of Equity
(in thousands, except share data)
(Unaudited)

	For the three months ended September 30, 2023									
	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at June 30, 2023	28,600,000	$ 286	120,057,744	$ 1,201	$4,094,680	$ 43,956	$ (1,225,748)	$ 2,914,375	$ 89,737	$3,004,112
Share-based compensation	—	—	—	—	2,450	—	—	2,450	870	3,320
Distributions on common shares/units	—	—	—	—	—	—	(1,211)	(1,211)	(11)	(1,222)
Distributions on preferred shares/units	—	—	—	—	—	—	(10,988)	(10,988)	(1,164)	(12,152)
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	9,881	—	9,881	16	9,897
Amounts reclassified from other comprehensive income	—	—	—	—	—	(8,003)	—	(8,003)	—	(8,003)
Net income (loss)	—	—	—	—	—	—	(57,142)	(57,142)	658	(56,484)
Balance at September 30, 2023	28,600,000	$ 286	120,057,744	$ 1,201	$4,097,130	$ 45,834	$ (1,295,089)	$ 2,849,362	$ 90,106	$2,939,468

Pebblebrook Hotel Trust
Consolidated Statements of Equity - Continued
(in thousands, except share data)
(Unaudited)

	For the three months ended September 30, 2022									
	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at June 30, 2022	29,600,000	$ 296	130,905,132	$ 1,309	$4,271,169	$ 23,748	$ (1,190,693)	$ 3,105,829	$ 86,847	$3,192,676
Issuance of shares, net of offering costs	—	—	—	—	(48)	—	—	(48)	—	(48)
Share-based compensation	—	—	—	—	2,482	—	—	2,482	699	3,181
Distributions on common shares/units	—	—	—	—	—	—	(1,320)	(1,320)	(11)	(1,331)
Distributions on preferred shares/units	—	—	—	—	—	—	(11,344)	(11,344)	(1,164)	(12,508)
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	16,385	—	16,385	102	16,487
Amounts reclassified from other comprehensive income	—	—	—	—	—	(1,337)	—	(1,337)	—	(1,337)
Net income (loss)	—	—	—	—	—	—	25,068	25,068	1,237	26,305
Balance at September 30, 2022	29,600,000	$ 296	130,905,132	$ 1,309	$4,273,603	$ 38,796	$ (1,178,289)	$ 3,135,715	$ 87,710	$3,223,425

Pebblebrook Hotel Trust
Consolidated Statements of Equity - Continued
(in thousands, except share data)
(Unaudited)

	For the nine months ended September 30, 2023									
	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2022	28,600,000	$ 286	126,345,293	$ 1,263	$4,182,359	$ 35,724	$ (1,223,117)	$ 2,996,515	$ 88,028	$3,084,543
Issuance of common shares for Board of Trustees compensation	—	—	55,480	1	753	—	—	754	—	754
Repurchase of common shares	—	—	(6,578,436)	(65)	(92,688)	—	—	(92,753)	—	(92,753)
Share-based compensation	—	—	235,407	2	6,706	—	—	6,708	2,523	9,231
Distributions on common shares/units	—	—	—	—	—	—	(3,664)	(3,664)	(47)	(3,711)
Distributions on preferred shares/units	—	—	—	—	—	—	(32,963)	(32,963)	(3,492)	(36,455)
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	30,876	—	30,876	95	30,971
Amounts reclassified from other comprehensive income	—	—	—	—	—	(20,766)	—	(20,766)	—	(20,766)
Net income (loss)	—	—	—	—	—	—	(35,345)	(35,345)	2,999	(32,346)
Balance at September 30, 2023	28,600,000	$ 286	120,057,744	$ 1,201	$4,097,130	$ 45,834	$ (1,295,089)	$ 2,849,362	$ 90,106	$2,939,468

Pebblebrook Hotel Trust
Consolidated Statements of Equity - Continued
(in thousands, except share data)
(Unaudited)

	For the nine months ended September 30, 2022									
	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2021	29,600,000	$ 296	130,813,750	$ 1,308	$4,268,042	$ (19,442)	$ (1,094,023)	$ 3,156,181	$ 7,724	$3,163,905
Issuance of shares, net of offering costs	—	—	—	—	(123)	—	—	(123)	—	(123)
Issuance of operating partnership units	—	—	—	—	—	—	—	—	78,000	78,000
Issuance of common shares for Board of Trustees compensation	—	—	33,866	1	737	—	—	738	—	738
Repurchase of common shares	—	—	(49,787)	(1)	(1,112)	—	—	(1,113)	—	(1,113)
Share-based compensation	—	—	107,303	1	6,059	—	—	6,060	2,095	8,155
Distributions on common shares/units	—	—	—	—	—	—	(3,762)	(3,762)	(44)	(3,806)
Distributions on preferred shares/units	—	—	—	—	—	—	(34,031)	(34,031)	(1,811)	(35,842)
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	52,797	—	52,797	387	53,184
Amounts reclassified from other comprehensive income	—	—	—	—	—	5,441	—	5,441	—	5,441
Net income (loss)	—	—	—	—	—	—	(46,473)	(46,473)	1,359	(45,114)
Balance at September 30, 2022	29,600,000	$ 296	130,905,132	$ 1,309	$4,273,603	$ 38,796	$ (1,178,289)	$ 3,135,715	$ 87,710	$3,223,425

The accompanying notes are an integral part of these financial statements.

Pebblebrook Hotel Trust
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	For the nine months ended September 30,	
	2023	**2022**
Operating activities:		
Net income (loss)	$ (32,346)	$ (45,114)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	179,598	179,746
Share-based compensation	9,231	8,155
Amortization of deferred financing costs, non-cash interest and other amortization	9,578	9,961
Gain on sale of hotel properties	(30,219)	(6,194)
Impairment	71,416	86,119
Non-cash ground rent	7,426	7,467
Other adjustments	(7,348)	(3,914)
Changes in assets and liabilities:		
Hotel receivables	(12,087)	(29,243)
Prepaid expenses and other assets	(26,200)	(5,297)
Accounts payable and accrued expenses	28,619	50,280
Deferred revenues	4,615	2,447
Net cash provided by (used in) operating activities	202,283	254,413
Investing activities:		
Improvements and additions to hotel properties	(140,057)	(68,266)
Proceeds from sales of hotel properties	224,384	248,908
Acquisition of hotel properties	—	(247,163)
Property insurance proceeds	14,361	—
Other investing activities	(2,414)	(111)
Net cash provided by (used in) investing activities	96,274	(66,632)
Financing activities:		
Payment of offering costs — common and preferred shares	—	(123)
Payment of deferred financing costs	(2,423)	(96)
Borrowings under revolving credit facilities	—	180,000
Repayments under revolving credit facilities	—	(180,000)
Proceeds from debt	140,000	—
Repayments of debt	(162,988)	(27,740)
Repurchases of common shares	(92,753)	(1,113)
Distributions — common shares/units	(3,756)	(3,968)
Distributions — preferred shares/units	(36,455)	(34,859)
Repayments of refundable membership deposits	(840)	(2,008)
Net cash provided by (used in) financing activities	(159,215)	(69,907)
Net change in cash and cash equivalents and restricted cash	139,342	117,874
Cash and cash equivalents and restricted cash, beginning of year	52,269	92,247
Cash and cash equivalents and restricted cash, end of period	$ 191,611	$ 210,121

The accompanying notes are an integral part of these financial statements.

Note 1. Organization

Pebblebrook Hotel Trust (the "Company") is an internally managed hotel investment company, formed as a Maryland real estate investment trust in October 2009 to opportunistically acquire and invest in hotel properties located primarily in major U.S. cities and resort properties located near our primary target urban markets and select destination resort markets, with an emphasis on major gateway coastal markets.

As of September 30, 2023, the Company owned interests in 47 hotels with a total of 12,142 guest rooms. The hotel properties are located in: Boston, Massachusetts; Chicago, Illinois; Hollywood, Florida; Jekyll Island, Georgia; Key West, Florida; Los Angeles, California (Beverly Hills, Santa Monica, and West Hollywood); Naples, Florida; Newport, Rhode Island; Portland, Oregon; San Diego, California; San Francisco, California; Santa Cruz, California; Stevenson, Washington; and Washington, D.C.

Substantially all of the Company's assets are held by, and all of the Company's operations are conducted through, Pebblebrook Hotel, L.P. (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. As of September 30, 2023, the Company owned 99.2% of the common limited partnership units issued by the Operating Partnership ("common units"). The remaining 0.8% of the common units are owned by the other limited partners of the Operating Partnership. For the Company to maintain its qualification as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), it cannot operate the hotels it owns. Therefore, the Operating Partnership and its subsidiaries lease the hotel properties to subsidiaries of Pebblebrook Hotel Lessee, Inc. (collectively with its subsidiaries, "PHL"), a taxable REIT subsidiary ("TRS"), which in turn engage third-party eligible independent contractors to manage the hotels. PHL is consolidated into the Company's financial statements.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in conformity with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") applicable to interim financial information. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. These unaudited consolidated financial statements include all adjustments considered necessary for a fair presentation of the consolidated balance sheets, consolidated statements of operations and comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the periods presented. Interim results are not necessarily indicative of full-year performance, as a result of the impact of seasonal and other short-term variations and the acquisitions and or dispositions of hotel properties. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

The Company and its subsidiaries are separate legal entities and maintain records and books of account separate and apart from each other. The consolidated financial statements include all of the accounts of the Company and its subsidiaries and are presented in accordance with U.S. GAAP. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in entities that the Company does not control, but over which the Company has the ability to exercise significant influence regarding operating and financial policies, are accounted for under the equity method.

Certain reclassifications have been made to the prior period's financial statements to conform to the current year presentation.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Risks and Uncertainties

The state of the overall economy can significantly impact hotel operational performance and thus the Company's financial position. It is uncertain what the future affects of the COVID-19 pandemic will have on the overall economy or travel. In addition, the rise in inflation and corresponding increase in interest rates may also impact the overall economy. A decline in travel or a significant increase in costs may impact the Company's cash flow and ability to service debt or meet other financial obligations.

New Accounting Pronouncements

There were no new accounting pronouncements issued during the nine months ended September 30, 2023 that the Company believes will have a material impact on its consolidated financial statements and disclosures.

Note 3. Acquisition and Disposition of Hotel Properties

Acquisitions

There were no acquisitions of hotel properties during the nine months ended September 30, 2023.

Dispositions

The following table summarizes disposition transactions during the nine months ended September 30, 2023 and 2022 (in thousands):

Hotel Property Name	Location	Sale Date		Sale Price
The Heathman Hotel	Portland, OR	February 22, 2023	$	45,000
Retail at The Westin Michigan Avenue Chicago	Chicago, IL	March 17, 2023		27,300
Hotel Colonnade Coral Gables	Coral Gables, FL	March 28, 2023		63,000
Hotel Monaco Seattle	Seattle, WA	May 9, 2023		63,250
Hotel Vintage Seattle	Seattle, WA	May 24, 2023		33,700
2023 Total			$	232,250
The Marker San Francisco	San Francisco, CA	June 28, 2022	$	77,000
Sofitel Philadelphia at Rittenhouse Square	Philadelphia, PA	August 2, 2022		80,000
Hotel Spero	San Francisco, CA	August 25, 2022		71,000
Hotel Vintage Portland	Portland, OR	September 14, 2022		32,900
2022 Total			$	260,900

For the three and nine months ended September 30, 2023, the accompanying consolidated statements of operations and comprehensive income included operating income (loss) of $0.9 million and $(0.8) million, respectively, excluding impairment loss and gain on sale of hotel properties related to the hotel properties sold and held for sale.

For the three and nine months ended September 30, 2022, the accompanying consolidated statements of operations and comprehensive income included operating income (loss) of $1.9 million and $(3.4) million, respectively, excluding impairment loss and gain on sale of hotel properties related to the hotel properties sold and held for sale.

The sales of the hotel properties described above did not represent a strategic shift that had a major effect on the Company's operations and financial results, and therefore, did not qualify as discontinued operations.

Held for Sale

As of September 30, 2023, the Company had entered into an agreement to sell Hotel Zoe Fisherman's Wharf for a sale price of $68.5 million. This hotel was classified as held for sale and, as a result, the Company classified all of the assets and liabilities related to this hotel as assets and liabilities held for sale in the accompanying consolidated balance sheets and ceased depreciating its assets. The Company expects to complete the sale in the fourth quarter of 2023. However, no assurances can be given that the sale will be completed on these terms or at all.

Note 4. Investment in Hotel Properties

Investment in hotel properties as of September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Land	$ 824,872	$ 897,756
Buildings and improvements	5,008,765	5,170,976
Furniture, fixtures and equipment	512,746	504,518
Finance lease asset	91,181	91,181
Construction in progress	19,249	11,961
	$ 6,456,813	$ 6,676,392
Right-of-use asset, operating leases	363,165	370,383
Investment in hotel properties	$ 6,819,978	$ 7,046,775
Less: Accumulated depreciation	(1,266,856)	(1,171,899)
Investment in hotel properties, net	$ 5,553,122	$ 5,874,876

Hurricane Ian

On September 27, 2022, LaPlaya Beach Resort & Club ("LaPlaya") and Inn on Fifth, both located in Naples, Florida, and Southernmost Beach Resort located in Key West, Florida were impacted by the effects of Hurricane Ian. Inn on Fifth and Southernmost Beach Resort did not suffer significant damage or disruption. LaPlaya was closed in anticipation of the storm and required remediation and repairs from the damage and remained closed. In 2023, LaPlaya began to reopen in stages as the buildings and facilities were repaired. The Company expects LaPlaya's remediation and repair to be substantially completed in the first quarter of 2024.

The Company's insurance policies provide coverage for property damage, business interruption and reimbursement for other costs that were incurred relating to damages sustained during Hurricane Ian and the Company has recorded a receivable for the expenditures to date which it anticipates to collect from the insurance providers in excess of the deductibles. In 2022, the Company recognized an aggregate impairment loss of $7.9 million for the damage to LaPlaya and Southernmost Beach Resort. During the nine months ended September 30, 2023, the Company incurred $5.1 million of costs related to payroll, repair and claims administration for which reimbursement from insurance policies is uncertain and therefore is included in other operating expenses in the Company's consolidated statements of operations and comprehensive income. Through September 30, 2023, the Company has cumulatively received $55.1 million in preliminary advances from the insurance providers and continues to work with the insurance providers on the settlement of the property and business interruption claims.

Impairment

The Company reviews its investment in hotel properties for impairment whenever events or circumstances indicate potential impairment. The Company periodically adjusts its estimate of future operating cash flows and estimated hold periods for certain properties. As a result of this review, the Company may identify an impairment trigger has occurred and assess its investment in hotel properties for recoverability. During the three and nine months ended September 30, 2023, the Company recognized an impairment loss of $71.4 million related to three hotels as a result of their fair values being lower than their carrying values. During the three months ended September 30, 2022, no impairment loss was recognized. During the nine months ended September 30, 2022, the Company recognized an impairment loss of $73.3 million related to two hotels as a result of their fair values being lower than their carrying values. The impairment losses were determined using Level 2 inputs under authoritative guidance for fair value measurements using purchase and sale agreements and information from marketing efforts for these properties.

Right-of-use Assets and Lease Liabilities

The Company recognized right-of-use assets and related liabilities related to its ground leases, all of which are operating leases. When the rate implicit in the lease could not be determined, the Company used incremental borrowing rates, which ranged from 4.7% to 7.6%. In addition, the term used includes any options to exercise extensions when it is reasonably certain the Company will exercise such option. See *Note 11. Commitments and Contingencies* for additional information about the ground leases.

The right-of-use assets and liabilities are amortized to ground rent expense over the term of the underlying lease agreements. As of September 30, 2023, the Company's lease liabilities consisted of operating lease liabilities of $320.6 million and financing lease liabilities of $43.2 million. As of December 31, 2022, the Company's lease liabilities consisted of operating lease liabilities of $320.4 million and financing lease liabilities of $42.7 million. The financing lease liabilities are included in accounts payable, accrued expenses and other liabilities on the Company's accompanying consolidated balance sheets.

Note 5. Debt

On October 13, 2022, the Company entered into the Fifth Amended and Restated Credit Agreement with Bank of America, N.A., as administrative agent and certain other agents and lenders ("Credit Agreement"). The Credit Agreement provides for a $650.0 million senior unsecured revolving credit facility and three $460.0 million unsecured term loan facilities totaling $1.38 billion. The Company may request additional lender commitments to increase the aggregate borrowing capacity under the Credit Agreement up to an additional $970.0 million.

The Company's debt consisted of the following as of September 30, 2023 and December 31, 2022 (dollars in thousands):

	Interest Rate at September 30, 2023		Maturity Date	Balance Outstanding as of September 30, 2023	Balance Outstanding as of December 31, 2022
Revolving credit facilities					
Senior unsecured credit facility	—	(1)(2)	October 2026	$ —	$ —
PHL unsecured credit facility	—	(1)	October 2026	—	—
Total revolving credit facilities				$ —	$ —
Unsecured term loans					
Term Loan 2024	7.50%	(1)(5)	October 2024	460,000	460,000
Term Loan 2025	5.16%	(1)	October 2025	460,000	460,000
Term Loan 2027	3.84%	(1)	October 2027	460,000	460,000
Term loan principal				$ 1,380,000	$ 1,380,000
Convertible senior notes principal	1.75%		December 2026	$ 750,000	$ 750,000
Senior unsecured notes					
Series A Notes	4.70%	(3)	December 2023	47,600	47,600
Series B Notes	4.93%		December 2025	2,400	2,400
Senior unsecured notes principal				$ 50,000	$ 50,000
Mortgage loans					
Margaritaville Hollywood Beach Resort	7.04%	(4)	September 2026	140,000	161,500
Estancia La Jolla Hotel & Spa	5.07%		September 2028	57,997	59,485
Mortgage loans principal				$ 197,997	$ 220,985
Total debt principal				$ 2,377,997	$ 2,400,985
Unamortized debt premiums, discount and deferred financing costs, net				(11,052)	(13,692)
Debt, Net				$ 2,366,945	$ 2,387,293

(1) Borrowings bear interest at floating rates. Interest rate at September 30, 2023 gives effect to interest rate hedges.
(2) The Company has the option to extend the maturity date for up to two six-month periods, pursuant to certain terms and conditions and payment of an extension fee.
(3) The Company intends to payoff the Series A Notes using available cash or borrowings under the revolving credit facility at maturity.
(4) This loan was refinanced during the third quarter of 2023 and now bears interest at a floating rate equal to daily SOFR plus a spread of 3.75%. The interest rate at September 30, 2023 gives effect to an interest rate swap. The Company has the option to extend the maturity date for up to two one-year periods, pursuant to certain terms and conditions and payment of an extension fee.
(5) The Company intends to refinance or payoff this loan using available cash or borrowings under the revolving credit facility at maturity.

Unsecured Revolving Credit Facilities

The $650.0 million senior unsecured revolving credit facility provided for in the Credit Agreement matures in October 2026 and provides for two six-month extension options, subject to certain terms and conditions and payment of an extension fee. All borrowings under the senior unsecured revolving credit facility bear interest at a rate per annum equal to, at the option of the Company, (i) the Secured Overnight Financing Rate ("SOFR") plus 0.10% (the “SOFR Adjustment”) plus a margin that is based upon the Company’s leverage ratio or (ii) the Base Rate (as defined by the Credit Agreement) plus a margin that is based on the Company’s leverage ratio. The margins for revolving credit facility loans range in amount from 1.45% to 2.50% for SOFR-based loans and 0.45% to 1.50% for Base Rate-based loans, depending on the Company’s leverage ratio. As of September 30, 2023, the Company had no outstanding borrowings, $12.6 million of outstanding letters of credit and a borrowing capacity of $637.4 million remaining on the senior unsecured revolving credit facility. The Company is required to pay an unused commitment fee at an annual rate of 0.20% or 0.30% of the unused portion of the senior unsecured revolving credit facility, depending on the amount of borrowings outstanding. The credit agreement contains certain financial covenants, including a maximum leverage ratio, a minimum fixed charge coverage ratio and a maximum percentage of secured debt to total asset value.

Under the terms of the Credit Agreement, one or more standby letters of credit, up to a maximum aggregate outstanding balance of $30.0 million, may be issued on behalf of the Company by the lenders under the senior unsecured revolving facility. The Company pays a fee for outstanding standby letters of credit at a rate per annum equal to the applicable margin based upon the Company's leverage ratio. Any outstanding standby letters of credit reduce the available borrowings on the senior unsecured revolving credit facility by a corresponding amount. Standby letters of credit of $12.6 million were outstanding as of September 30, 2023 and December 31, 2022.

As of September 30, 2023, the Company also has a $20.0 million unsecured revolving credit facility (the "PHL Credit Facility") to be used for PHL's working capital and general corporate purposes. On October 13, 2022, PHL amended and restated the agreement governing the PHL Credit Facility to extend the maturity to October 2026. The PHL Credit Facility has substantially similar terms as the Company's senior unsecured revolving credit facility. Borrowings on the PHL Credit Facility bear interest at a rate per annum equal to, at the option of the Company, (i) SOFR plus the SOFR Adjustment plus a margin that is based upon the Company’s leverage ratio or (ii) the Base Rate (as defined by the Credit Agreement) plus a margin that is based on the Company’s leverage ratio. The PHL Credit Facility is subject to debt covenants substantially similar to the covenants under the Credit Agreement, which governs the Company's senior unsecured revolving credit facility. As of September 30, 2023, the Company had no borrowings under the PHL Credit Facility and had $20.0 million borrowing capacity remaining available under the PHL Credit Facility.

As of September 30, 2023, the Company was in compliance with all debt covenants of the credit agreements that govern the unsecured revolving credit facilities.

Unsecured Term Loan Facilities

The three $460.0 million term loans provided for in the Credit Agreement mature in October 2024, October 2025 and October 2027, respectively. The term loans bear interest at a rate per annum equal to, at the option of the Company, (i) SOFR plus the SOFR Adjustment plus a margin that is based upon the Company’s leverage ratio or (ii) the Base Rate (as defined by the Credit Agreement) plus a margin that is based on the Company’s leverage ratio. The margins for term loans range in amount from 1.40% to 2.45% for SOFR-based loans and 0.40% to 1.45% for Base Rate-based loans, depending on the Company's leverage ratio. The term loans are subject to the debt covenants in the Credit Agreement. As of September 30, 2023, the Company was in compliance with all debt covenants of its term loans.

The Company entered into interest rate swap agreements to fix the SOFR rate on a portion of these unsecured term loan facilities. See *Derivative and Hedging Activities* for further discussion on the interest rate swaps.

Convertible Senior Notes

In December 2020, the Company issued $500.0 million aggregate principal amount of 1.75% Convertible Senior Notes due December 2026 (the "Convertible Notes"). The net proceeds from the offering of the Convertible Notes were approximately $487.3 million after deducting the underwriting fees and other expenses paid by the Company.

In February 2021, the Company issued an additional $250.0 million aggregate principal amount of Convertible Notes. These additional Convertible Notes were sold at a 5.5% premium to par and generated net proceeds of approximately $257.2 million after deducting the underwriting fees and other expenses paid by the Company of $6.5 million, which was offset by a premium received in the amount of $13.8 million.

The Convertible Notes are governed by an indenture (the “Base Indenture”) between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. The Convertible Notes bear interest at a rate of 1.75% per annum, payable semi-annually in arrears on June 15th and December 15th of each year, beginning on June 15, 2021. The Convertible Notes will mature on December 15, 2026.

Prior to June 15, 2026, the Convertible Notes will be convertible upon certain circumstances. On and after June 15, 2026, holders may convert any of their Convertible Notes into the Company’s common shares of beneficial interest (“common shares”) at the applicable conversion rate at any time at their election two days prior to the maturity date. The initial conversion rate is 39.2549 common shares per $1,000 principal amount of Convertible Notes, which represents an initial conversion price of approximately $25.47 per share. The conversion rate is subject to adjustment in certain circumstances. As of September 30, 2023 and December 31, 2022, the if-converted value of the Convertible Notes did not exceed the principal amount.

The Company may redeem for cash all or a portion of the Convertible Notes, at its option, on or after December 20, 2023 upon certain circumstances. The redemption price will be equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If certain make-whole fundamental changes occur, the conversion rate for the Convertible Notes may be increased.

In connection with the Convertible Notes issuances, the Company entered into privately negotiated capped call transactions (the “Capped Call Transactions”) with certain of the underwriters of the offerings of the Convertible Notes or their respective affiliates and other financial institutions. The Capped Call Transactions initially cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of common shares underlying the Convertible Notes. The Capped Call Transactions are expected generally to reduce the potential dilution to holders of common shares upon conversion of the Convertible Notes and/or offset the potential cash payments that the Company could be required to make in excess of the principal amount of any converted Convertible Notes upon conversion thereof, with such reduction and/or offset subject to a cap. The upper strike price of the Capped Call Transactions is $33.0225 per share.

Senior Unsecured Notes

The Company has $47.6 million of senior unsecured notes outstanding bearing a fixed interest rate of 4.70% per annum and maturing in December 2023 (the "Series A Notes") and $2.4 million of senior unsecured notes outstanding bearing a fixed interest rate of 4.93% per annum and maturing in December 2025 (the "Series B Notes"). The debt covenants of the Series A Notes and the Series B Notes are substantially similar to those of the Company's senior unsecured revolving credit facility. As of September 30, 2023, the Company was in compliance with all such debt covenants.

Mortgage Loans

On September 23, 2021, the Company assumed a $161.5 million loan secured by a first-lien mortgage on the leasehold interest of Margaritaville Hollywood Beach Resort ("Margaritaville"). During the third quarter of 2023, the Company paid down $21.5 million of this loan and refinanced the remaining $140.0 million balance. The new loan requires interest-only payments based on a floating rate equal to daily SOFR plus a spread of 3.75%. This loan matures on September 7, 2026 and may be extended for up totwo one-year periods, subject to certain terms and conditions and payment of an extension fee.

On December 1, 2021, the Company assumed a $61.7 million loan secured by a first-lien mortgage on the leasehold interest of Estancia La Jolla Hotel & Spa ("Estancia"). The loan requires both principal and interest monthly payments based on a fixed interest rate of 5.07%. The loan matures on September 1, 2028.

The Company's mortgage loans associated with Margaritaville and Estancia are non-recourse to the Company except for customary carve-outs to the general non-recourse liability. The loans contain customary provisions regarding events of default, as well as customary cash management, cash trap and lockbox provisions. Cash trap provisions are triggered if the hotel's performance is below a certain threshold. Once triggered, all of the cash flow generated by the hotel is deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of the lender. These properties are not in a cash trap and no event of default has occurred under the loan documents.

Interest Expense

The components of the Company's interest expense consisted of the following for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Unsecured revolving credit facilities	$ 504	$ 788	$ 1,570	$ 2,067
Unsecured term loan facilities	18,777	14,465	53,750	41,608
Convertible senior notes	3,281	3,282	9,844	9,844
Senior unsecured notes	589	645	1,767	1,935
Mortgage debt	4,094	2,657	11,437	6,531
Amortization of deferred financing fees, (premiums) and discounts	2,755	2,145	6,486	6,594
Other	1,022	1,038	3,142	2,174
Total interest expense	$ 31,022	$ 25,020	$ 87,996	$ 70,753

Fair Value

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates, taking into consideration general market conditions and maturity of the debt with similar credit terms and is classified within Level 2 of the fair value hierarchy. The estimated fair value of the Company’s fixed rate debt (unsecured senior notes, convertible senior notes and the Estancia mortgage loan) as of September 30, 2023 and December 31, 2022 was $699.8 million and $700.5 million, respectively.

Derivative and Hedging Activities

The Company enters into interest rate swap agreements to hedge against interest rate fluctuations. All of the Company's interest rate swaps are cash flow hedges. All unrealized gains and losses on these hedging instruments are reported in accumulated other comprehensive income (loss) and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

The Company's interest rate swaps at September 30, 2023 and December 31, 2022 consisted of the following, by maturity date (dollars in thousands):

			Aggregate Notional Value as of	
Hedge Type	**Interest Rate Range (SOFR)**	**Maturity**	**September 30, 2023**	**December 31, 2022**
Swap-cash flow	0.05% - 0.07%	January 2023	$ —	$ 200,000
Swap-cash flow	1.84% - 1.87%	November 2023	250,000	250,000
Swap-cash flow	2.47% - 2.50%	January 2024	300,000	300,000
Swap-cash flow	1.33% - 1.36%	February 2026	290,000	290,000
Swap-cash flow	3.29%	October 2027	165,000	—
Total			$ 1,005,000	$ 1,040,000

The Company records all derivative instruments at fair value in the accompanying consolidated balance sheets. Fair values of interest rate swaps and caps are determined using the standard market methodology of netting the discounted future fixed cash receipts/payments and the discounted expected variable cash payments/receipts. Variable interest rates used in the calculation of projected receipts and payments on the swaps are based on an expectation of future interest rates derived from observable market interest rate curves (Overnight Index Swap curves) and volatilities (Level 2 inputs). Derivatives expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company incorporates these counterparty credit risks in its fair value measurements. The Company believes it minimizes the credit risk by transacting with major creditworthy financial institutions.

As of September 30, 2023, the Company's derivative instruments were in an asset position with an aggregate fair value of $46.2 million. None of the Company's derivative instruments was in a liability position as of September 30, 2023. Derivative assets are included in prepaid expenses and other assets and derivative liabilities are included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets. The Company expects approximately $25.6 million will be reclassified from accumulated other comprehensive income (loss) to interest expense within the next 12 months.

In January 2023, the Company entered into interest rate swap agreements with an aggregate notional amount of $400.0 million, which will be effective in November 2023.

Note 6. Revenue

The Company presents revenue on a disaggregated basis in the accompanying consolidated statements of operations and comprehensive income. The following table presents revenues by geographic location for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
San Diego, CA	$ 95,885	$ 99,552	$ 239,653	$ 237,011
Boston, MA	75,650	73,229	194,908	180,882
Southern Florida/Georgia	43,174	53,543	173,183	219,068
Los Angeles, CA	51,303	47,251	144,445	128,364
San Francisco, CA	43,755	40,753	113,084	87,070
Portland, OR	24,538	29,635	61,510	67,571
Chicago, IL	22,233	22,954	57,036	49,966
Washington, D.C.	16,522	13,901	51,326	37,148
Seattle, WA	—	7,148	5,551	14,037
Other[1]	22,739	28,727	45,165	51,168
Total Revenues	$ 395,799	$ 416,693	$ 1,085,861	$ 1,072,285

[1] Other includes: Philadelphia, PA, Newport, RI, and Santa Cruz, CA

Payments from customers are primarily made when services are provided. Due to the short-term nature of the Company's contracts and the almost simultaneous receipt of payment, almost all of the contract liability balance at the beginning of the period is expected to be recognized as revenue over the following 12 months.

Note 7. Equity

Common Shares

The Company is authorized to issue up to 500,000,000 common shares. Each outstanding common share entitles the holder to one vote on each matter submitted to a vote of shareholders. Holders of common shares are entitled to receive dividends when authorized by the Board of Trustees.

Common Share Repurchase Programs

On July 27, 2017, the Company's Board of Trustees authorized a share repurchase program of up to $100.0 million of common shares. Under this program, the Company could have repurchased common shares from time to time in transactions on the open market or by private agreement. As of September 30, 2023, no common shares remained available for repurchase under this program.

On February 17, 2023, the Company's Board of Trustees authorized a share repurchase program of up to $150.0 million of common shares. Under this program, the Company may repurchase common shares from time to time in transactions on the open market or by private agreement. The Company may suspend or discontinue this program at any time. Common shares repurchased by the Company cease to be outstanding and become authorized but unissued common shares. As of September 30, 2023, $146.0 million of common shares remained available for repurchase under this program.

During the nine months ended September 30, 2023, the Company repurchased 6,498,901 common shares under the 2017 and 2023 repurchase programs, for an aggregate purchase price of $91.0 million, or an average of approximately $14.01 per share.

Common Dividends

The Company declared the following dividends on common shares/units for the nine months ended September 30, 2023:

Dividend per Share/Unit		For the Quarter Ended	Record Date	Payable Date
$	0.01	March 31, 2023	March 31, 2023	April 17, 2023
$	0.01	June 30, 2023	June 30, 2023	July 17, 2023
$	0.01	September 30, 2023	September 29, 2023	October 16, 2023

Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares of beneficial interest, $0.01 par value per share ("preferred shares").

The following preferred shares were outstanding as of September 30, 2023 and December 31, 2022:

Security Type	September 30, 2023	December 31, 2022
6.375% Series E	4,400,000	4,400,000
6.30% Series F	6,000,000	6,000,000
6.375% Series G	9,200,000	9,200,000
5.70% Series H	9,000,000	9,000,000
	28,600,000	28,600,000

The Series E, Series F, Series G and Series H Cumulative Redeemable Preferred Shares (collectively, the "Preferred Shares") rank senior to the common shares and on parity with each other with respect to payment of distributions. The Preferred Shares do not have any maturity date and are not subject to mandatory redemption. The Company may redeem the Series E and Series F Preferred Shares at any time. The Series G and Series H Preferred Shares may not be redeemed prior to May 13, 2026 and July 27, 2026, respectively, except in limited circumstances relating to the Company's continuing qualification as a REIT or as discussed below. On or after such dates, the Company may, at its option, redeem the Preferred Shares, in each case in whole or from time to time in part, by payment of $25.00 per share, plus any accumulated, accrued and unpaid distributions through the date of redemption. Upon the occurrence of a change of control, as defined in the Company's declaration of trust, the result of which the common shares and the common securities of the acquiring or surviving entity are not listed on the New York Stock Exchange, the NYSE American or Nasdaq, or any successor exchanges, the Company may, at its option, redeem the Preferred Shares in whole or in part within 120 days following the change of control by paying $25.00 per share, plus any accrued and unpaid distributions through the date of redemption. If the Company does not exercise its right to redeem the Preferred Shares upon a change of control, the holders of the Preferred Shares have the right to convert some or all of their shares into a number of common shares based on defined formulas subject to share caps. The share cap on each Series E Preferred Share is 1.9372 common shares, on each Series F Preferred Share is 2.0649 common shares, on each Series G Preferred Share is 2.1231 common shares, and on each Series H Preferred Share is 2.2311 common shares.

Preferred Share Repurchase Program

On February 17, 2023, the Company's Board of Trustees authorized a repurchase program of up to $100.0 million of the Preferred Shares. Under the terms of the program, the Company may repurchase up to an aggregate of $100.0 million of the Preferred Shares. The timing, manner, price and amount of any repurchases will be determined by the Company in its discretion and will depend on a variety of factors, including legal requirements, price, liquidity and economic considerations, and market conditions. The program does not require the Company to repurchase any specific number of shares. The program does not have an expiration date and may be suspended, modified or discontinued at any time. During the nine months ended September 30, 2023, no Preferred Shares were repurchased under this program.

Preferred Dividends

The Company declared the following dividends on preferred shares for the nine months ended September 30, 2023:

Security Type	Dividend per Share/Unit	For the Quarter Ended	Record Date	Payable Date
6.375% Series E	$ 0.40	March 31, 2023	March 31, 2023	April 17, 2023
6.375% Series E	$ 0.40	June 30, 2023	June 30, 2023	July 17, 2023
6.375% Series E	$ 0.40	September 30, 2023	September 29, 2023	October 16, 2023
6.30% Series F	$ 0.39	March 31, 2023	March 31, 2023	April 17, 2023
6.30% Series F	$ 0.39	June 30, 2023	June 30, 2023	July 17, 2023
6.30% Series F	$ 0.39	September 30, 2023	September 29, 2023	October 16, 2023
6.375% Series G	$ 0.40	March 31, 2023	March 31, 2023	April 17, 2023
6.375% Series G	$ 0.40	June 30, 2023	June 30, 2023	July 17, 2023
6.375% Series G	$ 0.40	September 30, 2023	September 29, 2023	October 16, 2023
5.70% Series H	$ 0.36	March 31, 2023	March 31, 2023	April 17, 2023
5.70% Series H	$ 0.36	June 30, 2023	June 30, 2023	July 17, 2023
5.70% Series H	$ 0.36	September 30, 2023	September 29, 2023	October 16, 2023

Non-controlling Interest of Common Units in Operating Partnership

Holders of Operating Partnership units ("OP units") have certain redemption rights that enable OP unit holders to cause the Operating Partnership to redeem their units in exchange for, at the Company’s option, cash per unit equal to the market price of common shares at the time of redemption or common shares on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of share splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of the Operating Partnership's limited partners or the Company's shareholders.

On November 30, 2018, in connection with the merger with LaSalle Hotel Properties ("LaSalle"), the Company issued 133,605 OP units in the Operating Partnership to third-party limited partners of LaSalle's operating partnership.

On May 11, 2022, in connection with the acquisition of Inn on Fifth in Naples, Florida, the Company issued 16,291 OP units in the Operating Partnership.

As of September 30, 2023 and December 31, 2022, the Operating Partnership had 149,896 OP units held by third parties, excluding LTIP units.

As of September 30, 2023, the Operating Partnership had two classes of long-term incentive partnership units ("LTIP units"), LTIP Class A units and LTIP Class B units. All of the outstanding LTIP units are held by officers of the Company.

On February 17, 2023, the Board of Trustees granted 131,276 LTIP Class B units to its executive officers. These LTIP units will vest ratably on January 1, 2024, 2025 and 2026, contingent upon continued employment with the Company. The fair value of each award was determined based on the closing price of the Company’s common shares on the grant date of $15.04 per unit with an aggregate grant date fair value of $2.0 million.

As of September 30, 2023, the Operating Partnership had 858,484 LTIP units outstanding, of which 277,136 LTIP units have vested. As of December 31, 2022, the Operating Partnership had 727,208 LTIP units outstanding, of which 127,111 LTIP units have vested. Only vested LTIP units may be converted to OP units, which in turn can be tendered for redemption as described above.

Non-controlling Interest of Preferred Units in Operating Partnership

On May 11, 2022, in connection with the acquisition of Inn on Fifth, the Company issued 3,104,400 preferred units in the Operating Partnership, designated as 6.0% Series Z Cumulative Perpetual Preferred Units ("Series Z Preferred Units"). The Series Z Preferred Units rank senior to the OP units and on parity with the Operating Partnership's Series E, Series F, Series G and Series H Preferred Units. Holders of Series Z Preferred Units are entitled to receive quarterly distributions at an annual rate of 6.0% of the liquidation preference value of $25.00 per share.

At any time, holders of Series Z Preferred Units may elect to convert some or all of their units into any other series of the Operating Partnership’s preferred units outstanding at that time. After the second anniversary of the issuance of the Series Z Preferred Units, holders may elect to redeem some or all of their units for, at the Company’s election, cash, common shares having an equivalent value or preferred shares on a one-for-one basis. After the fifth anniversary of their issuance, the Company may redeem the Series Z Preferred Units for cash, common shares having an equivalent value or preferred shares on a one-for-one basis. At any time following a change of control of the Company, holders of Series Z Preferred Units may elect to redeem some or all of their units for, at the Company’s election, cash or common shares having an equivalent value.

As of September 30, 2023, the Operating Partnership had 3,104,400 Series Z Preferred Units outstanding.

Note 8. Share-Based Compensation Plan

Available Shares

The Company maintains the 2009 Equity Incentive Plan, as amended and restated (as amended, the "Plan"), to attract and retain independent trustees, executive officers and other key employees and service providers. The Plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units and other equity-based awards. Share awards under the Plan vest over a period determined by the Board of Trustees, generally over three to five years. The Company pays or accrues for dividends on share-based awards. All outstanding share awards are subject to full or partial accelerated vesting upon a change in control and upon death or disability or certain other employment termination events as set forth in the award agreements. As of September 30, 2023, there were 1,498,820 common shares available for issuance under the Plan.

Service Condition Share Awards

From time to time, the Company awards restricted common shares under the Plan to members of the Board of Trustees, officers and employees. These shares generally vest over three to five years based on continued service or employment. The following table provides a summary of service condition restricted share activity as of nine months ended September 30, 2023:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2022	567,317	$ 21.60
Granted	113,084	$ 15.04
Vested	(183,721)	$ 23.14
Forfeited	(52,563)	$ 16.74
Unvested at September 30, 2023	444,117	$ 19.87

For the three and nine months ended September 30, 2023, the Company recognized approximately $0.9 million and $2.6 million, respectively, of share-based compensation expense related to these awards in the accompanying consolidated statements of operations and comprehensive income. For the three and nine months ended September 30, 2022, the Company recognized approximately $1.1 million and $2.7 million, respectively, of share-based compensation expense related to these awards in the accompanying consolidated statements of operations and comprehensive income.

Performance-Based Equity Awards

On February 17, 2023, the Board of Trustees approved a target award of 314,235 performance-based equity awards to officers and employees of the Company. These awards will vest, if at all, in 2026. The actual number of common shares that ultimately vest will be from 0% to 200% of the target award and will be determined in 2026 based on the performance criteria defined in the award agreements for the period of performance from January 1, 2023 through December 31, 2025.

For the three and nine months ended September 30, 2023, the Company recognized approximately $1.5 million and $4.1 million, respectively, of share-based compensation expense related to performance-based equity awards in the accompanying consolidated statements of operations and comprehensive income. For the three and nine months ended September 30, 2022, the Company recognized approximately $1.4 million and $3.4 million, respectively, of share-based compensation expense related to performance-based equity awards in the accompanying consolidated statements of operations and comprehensive income.

Long-Term Incentive Partnership Units

As of September 30, 2023, the Operating Partnership had two classes of LTIP units, LTIP Class A units and LTIP Class B units. All of the outstanding LTIP units are held by officers of the Company.

On February 17, 2023, the Board of Trustees granted 131,276 LTIP Class B units to its executive officers. These LTIP units will vest ratably on January 1, 2024, 2025 and 2026, contingent upon continued employment with the Company. The fair value of each award was determined based on the closing price of the Company’s common shares on the grant date of $15.04 per unit with an aggregate grant date fair value of $2.0 million.

As of September 30, 2023, the Operating Partnership had 858,484 LTIP units outstanding, of which 277,136 LTIP units have vested. As of December 31, 2022, the Operating Partnership had 727,208 LTIP units outstanding, of which 127,111 LTIP units have vested. Only vested LTIP units may be converted to OP units, which in turn can be tendered for redemption as described in *Note 7. Equity*.

For the three and nine months ended September 30, 2023, the Company recognized approximately $0.9 million and $2.5 million, respectively, in expense related to these LTIP units. For the three and nine months ended September 30, 2022, the Company recognized approximately $0.7 million and $2.1 million, respectively, in expense related to these LTIP units. The aggregate expense related to the LTIP unit grants is presented as non-controlling interest in the Company’s accompanying consolidated balance sheets.

Note 9. Income Taxes

PHL is subject to federal and state corporate income taxes at statutory tax rates. Given the continued negative impact of the COVID-19 pandemic on the Company's financial results and uncertainties about the Company's ability to utilize its net operating loss in future years, the Company has recorded a valuation allowance on all deferred tax assets.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state and local jurisdictions, where applicable. As of September 30, 2023 and December 31, 2022, the statute of limitations remains open for all major jurisdictions for tax years dating back to 2020 and 2019, respectively.

Note 10. Earnings (Loss) Per Share

The following is a reconciliation of basic and diluted earnings (loss) per common share (in thousands, except share and per-share data):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income (loss) attributable to common shareholders	$ (68,130)	$ 13,724	$ (68,308)	$ (80,504)
Less: Dividends paid on unvested share-based compensation	(10)	(12)	(31)	(34)
Less: Undistributed earnings attributable to share-based compensation	—	(109)	—	—
Net income (loss) available to common shareholders — basic	$ (68,140)	$ 13,603	$ (68,339)	$ (80,538)
Plus: Interest expense on convertible notes	—	—	—	—
Net income (loss) available to common shareholders — diluted	$ (68,140)	$ 13,603	$ (68,339)	$ (80,538)
Denominator:				
Weighted-average number of common shares — basic	120,057,744	130,905,132	122,394,293	130,904,772
Effect of dilutive share-based compensation	—	244,651	—	—
Effect of dilutive convertible notes	—	—	—	—
Weighted-average number of common shares — diluted	120,057,744	131,149,783	122,394,293	130,904,772
Net income (loss) per share available to common shareholders — basic	$ (0.57)	$ 0.10	$ (0.56)	$ (0.62)
Net income (loss) per share available to common shareholders — diluted	$ (0.57)	$ 0.10	$ (0.56)	$ (0.62)

For the three and nine months ended September 30, 2023, 1,110,184 and 1,110,184, respectively, of unvested service condition restricted shares and performance-based equity awards were excluded from diluted weighted-average number of common shares, as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2022, 300,261 and 1,072,803, respectively, of unvested service condition restricted shares and performance-based equity awards were excluded from diluted weighted-average number of common shares, as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2023, 29,441,175 and 29,441,175, respectively, of common shares underlying the Convertible Notes have been excluded from diluted shares as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2022, 29,441,175 and 29,441,175 of common shares underlying the Convertible Notes have been excluded from diluted shares, as their effect would have been anti-dilutive.

The LTIP units and OP units held by the non-controlling interest holders have been excluded from the denominator of the diluted earnings per share as there would be no effect on the amounts since the limited partners' share of income (loss) would also be added or subtracted to derive net income (loss) available to common shareholders.

Note 11. Commitments and Contingencies

Hotel Management Agreements

The Company’s hotel properties are operated pursuant to management agreements with various management companies. The remaining terms of these management agreements are up to 11 years, not including renewals, and up to 29 years, including renewals. The majority of the Company’s management agreements are terminable at will by the Company upon paying a termination fee and some are terminable by the Company upon sale of the property, with, in some cases, the payment of termination fees. Most of the agreements also provide the Company the ability to terminate based on failure to achieve defined operating performance thresholds. Termination fees range from zero to up to three times the annual base management and incentive management fees, depending on the agreement and the reason for termination. Certain of the Company’s management agreements are non-terminable except upon the manager’s breach of a material representation or the manager’s failure to meet performance thresholds as defined in the management agreement.

The management agreements require the payment of a base management fee generally between 1% and 4% of hotel revenues. Under certain management agreements, the management companies are also eligible to receive an incentive management fee if hotel operating income, cash flows or other performance measures, as defined in the agreements, exceed certain performance thresholds. The incentive management fee is generally calculated as a percentage of hotel operating income after the Company has received a priority return on its investment in the hotel.

For the three and nine months ended September 30, 2023, combined base and incentive management fees were $11.1 million and $29.9 million, respectively. For the three and nine months ended September 30, 2022, combined base and incentive management fees were $11.8 million and $31.6 million, respectively. Base and incentive management fees are included in other direct and indirect expenses in the Company's accompanying consolidated statements of operations and comprehensive income.

Reserve Funds

Certain of the Company’s agreements with its hotel managers, franchisors, ground lessors and lenders have provisions for the Company to provide funds, typically 4.0% of hotel revenues, sufficient to cover the cost of (a) certain non-routine repairs and maintenance to the hotels and (b) replacements and renewals to the hotels’ furniture, fixtures and equipment.

Restricted Cash

At September 30, 2023 and December 31, 2022, the Company had $8.9 million and $11.2 million, respectively, in restricted cash, which consisted of funds held in cash management accounts held by a lender, reserves for replacement of furniture and fixtures, and reserves to pay for real estate taxes, ground rent or property insurance under certain hotel management agreements or loan agreements.

Hotel, Ground and Finance Leases

As of September 30, 2023, the following hotels were subject to leases as follows:

Lease Properties	Lease Type	Lease Expiration Date	
Restaurant at Southernmost Beach Resort	Operating lease	April 2029	
Paradise Point Resort & Spa	Operating lease	May 2050	
Hotel Monaco Washington DC	Operating lease	November 2059	
Argonaut Hotel	Operating lease	December 2059	
Hotel Zephyr Fisherman's Wharf	Operating lease	February 2062	
Viceroy Santa Monica Hotel	Operating lease	September 2065	
Estancia La Jolla Hotel & Spa	Operating lease	January 2066	
San Diego Mission Bay Resort	Operating lease	July 2068	
1 Hotel San Francisco	Operating lease	March 2070	(1)
Hyatt Regency Boston Harbor	Operating lease	April 2077	
The Westin Copley Place, Boston	Operating lease	December 2077	(2)
The Liberty, a Luxury Collection Hotel, Boston	Operating lease	May 2080	
Jekyll Island Club Resort and Restaurant	Operating lease	January 2089	
Hotel Zelos San Francisco	Operating lease	June 2097	
Hotel Palomar Los Angeles Beverly Hills	Operating lease	January 2107	(3)
Margaritaville Hollywood Beach Resort	Operating lease	July 2112	
Hotel Zeppelin San Francisco	Operating and finance lease	June 2089	(4)
Harbor Court Hotel San Francisco	Finance lease	August 2052	

(1) The expiration date assumes the exercise of a14-year extension option.
(2) No payments are required through maturity.
(3) The expiration date assumes the exercise of all19 five-year extension options.
(4) The expiration date assumes the exercise of a30-year extension option.

The Company's leases may require minimum fixed rent payments, percentage rent payments based on a percentage of revenues in excess of certain thresholds or rent payments equal to the greater of a minimum fixed rent or percentage rent. Minimum fixed rent may be adjusted annually by increases in the consumer price index and may be subject to minimum and maximum increases. Some leases also contain certain restrictions on modifications that can be made to the hotel structures due to their status as national historic landmarks.

The Company records expense on a straight-line basis for leases that provide for minimum rental payments that increase in pre-established amounts over the remaining terms of the leases. Ground rent expense is included in real estate taxes, personal property taxes, property insurance and ground rent in the Company's accompanying consolidated statements of operations and comprehensive income.

The components of ground rent expense for the three and nine months ended September 30, 2023 and 2022 are as follows (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Fixed ground rent	$ 4,795	$ 4,769	$ 14,359	$ 13,786
Variable ground rent	6,362	6,049	15,481	14,517
Total ground rent	$ 11,157	$ 10,818	$ 29,840	$ 28,303

Litigation

The nature of the operations of hotels exposes the Company's hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. The Company has insurance to cover certain potential material losses. The Company is not presently subject to any material litigation nor, to the Company’s knowledge, is any material litigation threatened against the Company.

Note 12. Supplemental Information to Statements of Cash Flows *(in thousands)*

	For the nine months ended September 30,	
	2023	2022
Interest paid, net of capitalized interest	$ 74,111	$ 58,043
Interest capitalized	$ —	$ 1,434
Income taxes paid (refunded)	$ (2,612)	$ (2,303)
Non-Cash Investing and Financing Activities:		
Distributions payable on common shares/units	$ 1,255	$ 1,357
Distributions payable on preferred shares/units	$ 10,902	$ 11,202
Issuance of common shares for Board of Trustees compensation	$ 754	$ 738
Issuance of common units in connection with hotel acquisition	$ —	$ 390
Issuance of preferred units in connection with hotel acquisition	$ —	$ 77,610
Accrued additions and improvements to hotel properties	$ 5,526	$ 9,303
Right of use assets obtained in exchange for lease liabilities	$ —	$ 1,005
Write-off of fully amortized deferred financing costs	$ 630	$ 5,878

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report. Pebblebrook Hotel Trust is a Maryland real estate investment trust that conducts its operations so as to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Substantially all of the operations are conducted through Pebblebrook Hotel, L.P. (our "Operating Partnership"), a Delaware limited partnership of which Pebblebrook Hotel Trust is the sole general partner. In this report, we use the terms "the Company", "we" or "our" to refer to Pebblebrook Hotel Trust and its subsidiaries, unless the context indicates otherwise.

FORWARD-LOOKING STATEMENTS

This report, together with other statements and information publicly disseminated by us, contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may", "will", "should", "potential", "could", "seek", "assume", "forecast", "believe", "expect", "intend", "anticipate", "estimate", "project" or similar expressions. Forward-looking statements in this report include, among others, statements about our business strategy, including acquisition and development strategies, industry trends, estimated revenues and expenses, estimated costs and durations of renovation or restoration projects, timing and extent of debt refinancings, estimated insurance recoveries, our ability to realize deferred tax assets and expected liquidity needs and sources (including capital expenditures and our ability to obtain financing or raise capital). You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. These factors include, but are not limited to, the following:

- the COVID-19 pandemic has had, and may continue to have, a significant negative impact on our financial condition and operations, which impacts our ability to obtain acceptable financing. The current and uncertain future impact of the COVID-19 pandemic, including its effect on the ability or desire of people to travel, is expected to continue to negatively affect our results, operations, outlooks, plans, goals, growth, reputation, cash flows, liquidity and share price;
- as a result of the COVID-19 pandemic, we suspended operations at most of our hotels and resorts in March 2020. Operations recommenced between May 2020 and July 2021 and are improving. However, if continued improvement is interrupted, we may become out of compliance with maintenance covenants in certain of our debt facilities;
- world events impacting the ability or desire of people to travel may lead to a decline in demand for hotels;
- risks associated with the hotel industry, including competition, changes in visa and other travel policies by the U.S. government making it less convenient, more difficult or less desirable for international travelers to enter the U.S., increases in employment costs, energy costs and other operating costs, or decreases in demand caused by events beyond our control, including, without limitation, actual or threatened terrorist attacks, natural disasters, cyber attacks, any type of flu or disease-related pandemic, or downturns in general and local economic conditions;
- the availability and terms of financing and capital and the general volatility of securities markets;
- our dependence on third-party managers of our hotels, including our inability to implement strategic business decisions directly;
- risks associated with the U.S. and global economies, the cyclical nature of hotel properties and the real estate industry, including environmental contamination and costs of complying with new or existing laws, including the Americans with Disabilities Act and similar laws;
- interest rate increases;
- our possible failure to qualify as a REIT under the Code and the risk of changes in laws affecting REITs;
- the timing and availability of potential hotel acquisitions, our ability to identify and complete hotel acquisitions and our ability to complete hotel dispositions in accordance with our business strategy;
- the possibility of uninsured losses;
- risks associated with redevelopment and repositioning projects, including delays and cost overruns; and

- the other factors discussed under *Risk Factors* in Part II, Item 1A of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2022.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Overview

Operating performance during this recovery period has been led by strong leisure travel which has driven revenue at our resorts to pre-pandemic levels. Corporate and group business are progressing steadily with our urban hotels, leading the portfolio's growth during 2023 with strong occupancy gains in San Francisco, Los Angeles, Washington D.C., Chicago and Portland. We expect these trends to continue if the overall economic recovery continues and as international inbound travel continues to return. Recent inflation and the expectation of future inflation have caused labor and other costs to increase and have added additional uncertainty in consumer confidence and the continued growth in the economy. The Company continues to complete repairs and rebuilding at LaPlaya Beach Resort & Club. The property's Bay Tower and Gulf Tower have reopened, and other resort amenities have reopened throughout 2023. The property's Beach House is expected to be substantially open in the first quarter of 2024, however, delays in receiving equipment, material and inspections may adversely impact this timeline.

During the nine months ended September 30, 2023, we had the following transactions:

- On February 22, 2023, we sold The Heathman Hotel in Portland, Oregon for $45.0 million.
- On March 17, 2023, we sold the retail component of The Westin Michigan Avenue Chicago in Chicago, Illinois for $27.3 million.
- On March 28, 2023, we sold Hotel Colonnade Coral Gables in Coral Gables, Florida for $63.0 million.
- On May 9, 2023, we sold Hotel Monaco Seattle in Seattle, Washington for $63.3 million.
- On May 24, 2023, we sold Hotel Vintage Seattle in Seattle, Washington for $33.7 million.
- We repurchased 6,498,901 common shares under our common share repurchase programs at an average price of $14.01 per share.
- We paid down $21.5 million and refinanced $140.0 million of our Margaritaville Hollywood Beach Resort ("Margaritaville") mortgage loan.

While we do not operate our hotel properties, both our asset management team and our executive management team monitor and work cooperatively with our hotel managers by advising and making recommendations in all aspects of our hotels' operations, including property positioning and repositioning, revenue and expense management, operations analysis, physical design, renovation and capital improvements, guest experience and overall strategic direction. Through these efforts, we seek to improve property efficiencies, lower costs, maximize revenues and enhance property operating margins, which we expect will enhance returns to our shareholders.

Key Indicators of Financial Condition and Operating Performance

We measure hotel results of operations and the operating performance of our business by evaluating financial and non-financial metrics such as room revenue per available room ("RevPAR"); total revenue per available room ("Total RevPAR"); average daily rate ("ADR"); occupancy rate ("Occupancy"); funds from operations ("FFO"); earnings before interest, income taxes, depreciation and amortization ("EBITDA"); and EBITDA for real estate ("EBITDA*re*"*)*. We evaluate individual hotel and company-wide performance with comparisons to budgets, prior periods and competing properties. ADR, occupancy and RevPAR may be impacted by macroeconomic factors as well as regional and local economies and events. See *Non-GAAP Financial Measures* for further discussion of FFO, EBITDA and EBIDTA*re*.

Hotel Operating Statistics

The following table represents the key same-property hotel operating statistics for our hotels for the three and nine months ended September 30, 2023 and 2022:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Same-Property Occupancy	75.4 %	72.9 %	68.9 %	63.8 %
Same-Property ADR	$ 310.67	$ 324.78	$ 305.21	$ 316.82
Same-Property RevPAR	$ 234.09	$ 236.69	$ 210.16	$ 202.15
Same-Property Total RevPAR	$ 353.85	$ 353.06	$ 321.51	$ 303.41

The above table of hotel operating statistics includes information from all hotels owned as of September 30, 2023, for the three months ended September 30, 2023 and 2022, except for LaPlaya Beach Resort & Club due to its closure following Hurricane Ian.

The above table of hotel operating statistics includes information from all hotels owned as of September 30, 2023 for the nine months ended September 30, 2023 and 2022, except for LaPlaya Beach Resort & Club due to its closure following Hurricane Ian and 1 Hotel San Francisco for the first and second quarters only due to its closure for redevelopment. The above table also includes Hotel Monaco Seattle and Hotel Vintage Seattle for the first quarter only due to their sales in May 2023, and Retail at The Westin Michigan Avenue Chicago for the first quarter only due to its sale in March 2023.

Non-GAAP Financial Measures

Non-GAAP financial measures are measures of our historical or future financial performance that are different from measures calculated and presented in accordance with U.S. GAAP. We report FFO, EBITDA and EBITDA*re*, which are non-GAAP financial measures that we believe are useful to investors as key measures of our operating performance.

We calculate FFO in accordance with standards established by Nareit, formerly known as the National Association of Real Estate Investment Trusts, which defines FFO as net income (calculated in accordance with U.S. GAAP), excluding real estate related depreciation and amortization, gains (losses) from sales of real estate, impairments of real estate assets (including impairment of real estate related joint ventures), the cumulative effect of changes in accounting principles and adjustments for unconsolidated partnerships and joint ventures. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most industry investors consider presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. By excluding the effect of real estate related depreciation and amortization including our share of the joint venture depreciation and amortization, gains (losses) from sales of real estate and impairments of real estate assets (including impairment of real estate related joint ventures), all of which are based on historical cost accounting and which may be of lesser significance in evaluating current performance, we believe that FFO provides investors a useful financial measure to evaluate our operating performance.

The following table reconciles net income (loss) to FFO and FFO available to common share and unit holders for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net income (loss)	**$ (56,484)**	**$ 26,305**	**$ (32,346)**	**$ (45,114)**
Adjustments:				
Real estate depreciation and amortization	63,186	60,285	179,341	179,480
(Gain) loss on sale of hotel properties	—	(6,194)	(30,219)	(6,194)
Impairment loss	71,416	12,865	71,416	86,119
FFO	**$ 78,118**	**$ 93,261**	**$ 188,192**	**$ 214,291**
Distribution to preferred shareholders and unit holders	(12,152)	(12,507)	(36,455)	(35,842)
FFO available to common share and unit holders	**$ 65,966**	**$ 80,754**	**$ 151,737**	**$ 178,449**

EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. The white paper issued by Nareit entitled “Earnings Before Interest, Taxes, Depreciation and Amortization for Real Estate” defines EBITDA*re* as net income or loss (computed in accordance with U.S. GAAP), excluding interest expense, income tax, depreciation and amortization, gains or losses on the disposition of depreciated property (including gains or losses on change of control), impairment write-downs of depreciated property and of investments in unconsolidated affiliates caused by a decrease in value of depreciated property in the affiliate, and after comparable adjustments for our portion of these items related to unconsolidated affiliates. We believe that EBITDA and EBITDA*re* provide investors useful financial measures to evaluate our operating performance, excluding the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization).

The following table reconciles net income (loss) to EBITDA and EBITDA*re* for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net income (loss)	**$ (56,484)**	**$ 26,305**	**$ (32,346)**	**$ (45,114)**
Adjustments:				
Interest expense	31,022	25,020	87,996	70,753
Income tax expense (benefit)	822	1,015	853	1,015
Depreciation and amortization	63,272	60,372	179,598	179,746
EBITDA	**$ 38,632**	**$ 112,712**	**$ 236,101**	**$ 206,400**
(Gain) loss on sale of hotel properties	—	(6,194)	(30,219)	(6,194)
Impairment loss	71,416	12,865	71,416	86,119
EBITDA*re*	**$ 110,048**	**$ 119,383**	**$ 277,298**	**$ 286,325**

FFO, EBITDA and EBITDA*re* do not represent cash generated from operating activities as determined by U.S. GAAP and should not be considered as alternatives to U.S. GAAP net income (loss), as indications of our financial performance, or to U.S. GAAP cash flow from operating activities, as measures of liquidity. In addition, FFO, EBITDA and EBITDA*re* are not indicative of funds available to fund cash needs, including the ability to make cash distributions.

Results of Operations

At September 30, 2023 and 2022, we had 47 and 51, respectively, properties and leasehold interests. All properties owned during these periods have been included in our results of operations during the respective periods since their dates of acquisition or through their dates of disposition, as applicable. Based on when a property was acquired or disposed, operating results for certain properties are not comparable for the three and nine months ended September 30, 2023 and 2022. The properties listed in the table below are hereinafter referred to as "non-comparable properties" for the periods indicated and all other properties are referred to as "comparable properties":

Property	Location	Disposition Date
The Marker San Francisco	San Francisco, CA	June 28, 2022
Sofitel Philadelphia at Rittenhouse Square	Philadelphia, PA	August 2, 2022
Hotel Spero	San Francisco, CA	August 25, 2022
Hotel Vintage Portland	Portland, OR	September 14, 2022
The Heathman Hotel	Portland, OR	February 22, 2023
Retail at The Westin Michigan Avenue Chicago	Chicago, IL	March 17, 2023
Hotel Colonnade Coral Gables	Coral Gables, FL	March 28, 2023
Hotel Monaco Seattle	Seattle, WA	May 9, 2023
Hotel Vintage Seattle	Seattle, WA	May 24, 2023

Property	Location	Acquisition Date
Inn on Fifth	Naples, FL	May 11, 2022
Newport Harbor Island Resort	Newport, RI	June 23, 2022

Comparison of the three months ended September 30, 2023 to the three months ended September 30, 2022

Revenues — Total revenues decreased by $20.9 million, of which $19.8 million was due to non-comparable properties. The remaining decrease was primarily due to a decrease in revenue at LaPlaya Beach Resort & Club, which closed as a result of Hurricane Ian and has not fully reopened, and was substantially offset by a significant increase in revenue at 1 Hotel San Francisco which was under renovation through June 2022 and began ramping up operations in the third quarter of 2022.

Hotel operating expenses — Total hotel operating expenses decreased by $1.8 million as a result of a $11.4 million decrease due to our non-comparable properties, offset by a $9.6 million increase at our comparable properties as a result of an increase in staffing, wage rates and benefits to accommodate rising occupancy, particularly at our urban properties.

Depreciation and amortization — Depreciation and amortization expense increased by $2.9 million primarily due to the 2022 acquisitions of two non-comparable properties, partially offset by the 2022 and 2023 sales of our non-comparable properties.

Real estate taxes, personal property taxes, property insurance and ground rent — Real estate taxes, personal property taxes, property insurance and ground rent decreased by $1.7 million primarily due to a decrease in real estate taxes as a result of lower tax assessments.

General and administrative — General and administrative expenses increased by $1.3 million primarily due to an increase in professional fees and employee compensation expense. General and administrative expenses consist of employee compensation costs, legal and professional fees, insurance and other expenses.

Impairment — We recognized an impairment loss of $71.4 million in 2023 related to three hotels. We recognized an impairment loss of $12.9 million in 2022 related to damage caused by Hurricane Ian at LaPlaya Beach Resort & Club and Southernmost Beach Resort.

Gain on sale of hotel properties — No gain on sale was recognized in 2023. We recognized a gain on sale of $6.2 million related to the sales of Sofitel Philadelphia at Rittenhouse Square and Hotel Vintage Portland in 2022.

Business interruption insurance income — We recognized business interruption insurance income of $10.9 million in 2023 related to a partial settlement with the insurance carriers for lost income at LaPlaya Beach Resort & Club.

Other operating expenses — Other operating expenses increased by $2.8 million primarily due to preopening expenses incurred at Paradise Point Resort & Spa and Margaritaville Hotel San Diego Gaslamp Quarter (formerly Solamar Hotel) in addition to payroll and claims administration costs at LaPlaya Beach Resort & Club for which reimbursement from insurance policies is uncertain.

Interest expense — Interest expense increased by $6.0 million as a result of higher interest rates on floating rate debt.

Other — Other increased by $1.3 million due to an increase in interest income earned on excess cash.

Non-controlling interests — Non-controlling interests represents the allocation of income or loss of the Operating Partnership to third-party common OP unit holders and to the preferred OP unit holders.

Comparison of the nine months ended September 30, 2023 to the nine months ended September 30, 2022

Revenues — Total revenues increased by $13.6 million primarily due to an increase in revenue at many of our urban properties as business and group bookings have steadily increased as well as an increase in revenue at 1 Hotel San Francisco which was closed most of the first and second quarters of 2022 for renovations. These increases were partially offset by a significant decrease in revenue at LaPlaya Beach Resort & Club, which closed as a result of Hurricane Ian and has not fully reopened and a $24.7 million decrease at the non-comparable properties.

Hotel operating expenses — Total hotel operating expenses increased by $55.8 million as a result of an increase in staffing, wage rates and benefits to accommodate rising occupancy, particularly at our urban properties. In addition, hotel operating expenses increased at 1 Hotel San Francisco, which was closed most of the first and second quarters of 2022 for renovations. Our overall increase in operating expenses was partially offset by a $17.6 million decrease due to our non-comparable properties.

Real estate taxes, personal property taxes, property insurance and ground rent — Real estate taxes, personal property taxes, property insurance and ground rent decreased by $6.7 million primarily due to a decrease in real estate taxes as a result of lower tax assessments and a $2.7 million decrease in real estate taxes due to our non-comparable properties.

General and administrative — General and administrative expenses increased by $3.1 million primarily due to an increase in professional fees and employee compensation expense. General and administrative expenses consist of employee compensation costs, legal and professional fees, insurance and other expenses.

Impairment — We recognized an impairment loss of $71.4 million in 2023 related to three hotels.We recognized an impairment loss of $86.1 million in 2022 related to two hotels sold and related to damage caused by Hurricane Ian at LaPlaya Beach Resort & Club and Southernmost Beach Resort.

Gain on sale of hotel properties — We recognized a gain on sale of $30.2 million related to the sales of The Heathman Hotel, the retail component of The Westin Michigan Avenue Chicago, Hotel Colonnade Coral Gables, Hotel Monaco Seattle and Hotel Vintage Seattle in 2023. We recognized a gain on sale of $6.2 million related to the sales of Sofitel Philadelphia at Rittenhouse Square and Hotel Vintage Portland in 2022.

Business interruption insurance income — We recognized business interruption insurance income of $33.0 million in 2023 related to a partial settlement with the insurance carriers for lost income at LaPlaya Beach Resort & Club.

Other operating expenses — Other operating expenses increased by $5.8 million primarily due to payroll and claims administration costs at LaPlaya Beach Resort & Club for which reimbursement from insurance policies is uncertain.

Interest expense — Interest expense increased by $17.2 million as a result of higher interest rates on floating rate debt.

Other — Other increased by $2.4 million due to an increase in interest income earned on excess cash.

Non-controlling interests — Non-controlling interests represents the allocation of income or loss of the Operating Partnership to third-party common OP unit holders and to the preferred OP unit holders.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

New Accounting Pronouncements

See *Note 2. Summary of Significant Accounting Policies* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for recently issued accounting pronouncements that may affect us.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by our operations, borrowings under our credit facilities, net proceeds from equity and debt offerings, and net proceeds from property sales. Our primary cash requirements in the short term (i.e., those requiring cash on or before September 30, 2024) will be to fund property lease obligations, interest and current principal on debt, capital improvements, dividends on common and preferred shares, and working capital of our property operations. We believe our cash and cash equivalents, restricted cash and the amount available on our senior unsecured revolving credit facility, which totaled $829.0 million as of September 30, 2023, along with cash generated from ongoing operations will be sufficient to satisfy our short-term cash requirements. As of September 30, 2023, we had no off-balance sheet arrangements.

In order to maintain our qualification as a REIT, we must pay dividends to our shareholders of at least 90% of our taxable income. As a result of this requirement, we cannot rely on retained earnings to fund long-term liquidity requirements such as hotel property acquisitions, redevelopments and repayments of long-term debt. As such, we expect to continue to raise capital through equity and debt offerings to fund our growth.

Our material cash requirements include the following contractual and other obligations.

Debt

Our outstanding debt consisted of floating- and fixed-rate unsecured term loans, convertible senior notes, senior unsecured notes and mortgage loans with varying maturities. Our total debt had an aggregate face value of $2.4 billion as of September 30, 2023, as summarized below:

	September 30, 2023
	(in thousands)
Revolving credit facilities	$ —
Term loans	1,380,000
Convertible senior notes	750,000
Senior unsecured notes	50,000
Mortgage loans	197,997
Total debt at face value	$ 2,377,997

For further discussion on the components of our debt, see *Note 5. Debt* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We have the option to extend certain of our current debt maturities with the payment of extension fees. Assuming we exercise all extension options available in our debt agreements, we expect that future principal and interest payments associated with our debt obligations outstanding as of September 30, 2023 will be $2.7 billion through their maturity, with $49.5 million of principal and $118.2 million of interest payable on or before September 30, 2024. We intend to pay amounts due with available cash, borrowings under our revolving credit facility, or refinance with long-term debt.

We are in compliance with all covenants governed by our existing credit facilities, term loan and senior note facilities.

Our mortgage loans contain customary provisions regarding events of default, as well as customary cash management, cash trap and lockbox provisions. Cash trap provisions may be triggered if the hotel's performance is below a certain threshold. Once triggered, all of the cash flow generated by the hotel is deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our lender. As of September 30, 2023, none of the mortgage loans was in a cash trap.

Hotel, ground and finance lease obligations

Our properties that are subject to hotel, ground or finance leases, as noted in *Note 11. Commitment and Contingencies* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, may require minimum fixed rent payments, percentage rent payments based on a percentage of revenues in excess of certain thresholds or rent payments equal to the greater of a minimum fixed rent or percentage rent. Minimum fixed rent may be adjusted annually by increases in consumer price index ("CPI") and may be subject to minimum and maximum increases.

Future fixed minimum payments associated with our hotel, ground and finance leases total $1.8 billion as of September 30, 2023, with $21.0 million payable on or before September 30, 2024.

Purchase commitments

As of September 30, 2023, we had $8.1 million of outstanding purchase commitments, all of which will be paid on or before September 30, 2024. These purchase commitments represent outstanding purchase orders and contracts that have been executed for capital and renovation projects at our properties. See *Capital Investments* for discussion on planned capital investments.

Preferred dividends and Series Z operating partnership units

We expect to pay aggregate annual dividends and distributions of approximately $48.6 million on our outstanding Series E, Series F, Series G and Series H Cumulative Redeemable Preferred Shares and Series Z Cumulative Perpetual Preferred Units on or before September 30, 2024 and in future years until the shares/units are redeemed. For further discussion on our preferred shares and preferred units, see *Note 7. Equity* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Sources and Uses of Cash

Our principal sources of cash are cash from operations, draws on our credit facilities, net proceeds from equity and debt offerings, and net proceeds from property sales. Our principal uses of cash are asset acquisitions, debt service payments, the redemption of equity securities, capital investments, operating costs, corporate expenses and dividends.

Operating Activities. Our net cash provided by (used in) operating activities was $202.3 million for the nine months ended September 30, 2023, and $254.4 million for the nine months ended September 30, 2022. Fluctuations in our net cash provided by (used in) operating activities are primarily the result of changes in hotel revenues, operating cash requirements and corporate expenses. The decrease in cash provided by (used in) operations in 2023 as compared to 2022 is primarily due to the disposition of four hotel properties and one retail component of a hotel property in 2023.

Investing Activities. Our net cash provided by (used in) investing activities was $96.3 million for the nine months ended September 30, 2023, and $(66.6) million for the nine months ended September 30, 2022. Fluctuations in our net cash provided by (used in) investing activities are primarily the result of acquisition and disposition activities, as well as capital improvements and additions to our properties.

- During the nine months ended September 30, 2023, we invested $140.1 million in improvements to our hotel properties; received $224.4 million from the sale of four hotel properties and one retail component of a hotel property; and received $14.4 million in property insurance proceeds.
- During the nine months ended September 30, 2022, we invested $68.3 million in improvements to our hotel properties; received $248.9 million from the sales of four hotel properties; and purchased two hotel properties using cash of $247.2 million.

Financing Activities. Our net cash provided by (used in) financing activities was $(159.2) million for the nine months ended September 30, 2023, and $(69.9) million for the nine months ended September 30, 2022. Fluctuations in our net cash provided by (used in) financing activities are primarily the result of our issuance and repurchase of debt and equity securities and distributions paid on our preferred and common shares.

- During the nine months ended September 30, 2023, we repurchased $92.8 million of common shares through our common share repurchase program and for tax withholding purposes in connection with vestings of share-based equity awards; repaid $21.5 million of other debt, net of refinancing proceeds; and paid $40.2 million in preferred and common distributions.
- During the nine months ended September 30, 2022, we borrowed and repaid $180.0 million of revolving credit facility borrowings; repaid $27.7 million in other debt; and paid $38.8 million in preferred and common distributions.

Capital Investments

We maintain and intend to continue maintaining all of our hotels in good repair and condition, in conformity with applicable laws and regulations, in accordance with franchisor standards when applicable and in accordance with agreed-upon requirements in our management agreements. Routine capital investments will be administered by the hotel management companies. However, we maintain approval rights over the capital investments as part of the annual budget process and as otherwise required from time to time.

Certain of our hotel properties may undergo renovations as a result of our decision to upgrade portions of the hotels, such as guest rooms, meeting space and restaurants, in order to better compete with other hotels in our markets. In addition, after we acquire a hotel property, we are often required by the franchisor or brand manager, if any, to complete a property improvement plan (“PIP”) in order to bring the hotel property up to the franchisor’s or brand’s standards. Generally, we expect to fund renovations and improvements with available cash, restricted cash, borrowings under our credit facility or proceeds from new debt or equity offerings.

For the nine months ended September 30, 2023, we invested $140.1 million in capital investments to reposition and improve our properties, including the renovations of Hilton San Diego Gaslamp Quarter, Jekyll Island Club Resort, Estancia La Jolla Hotel & Spa, Newport Harbor Island Resort, Skamania Lodge and Margaritaville Hotel San Diego Gaslamp Quarter (formerly Solamar Hotel), as well as capital expenditures related to the repair and remediation of LaPlaya Beach Resort & Club and Southernmost Beach Resort, which were damaged in Hurricane Ian.

Depending on market conditions, and in some instances subject to approval from governmental authorities, we expect to invest a total of $145.0 million to $155.0 million in capital investments in 2023, which includes redevelopment and repositioning projects at Margaritaville Hotel San Diego Gaslamp Quarter (formerly Solamar Hotel), Hilton San Diego Gaslamp Quarter, Jekyll Island Club Resort, Estancia La Jolla Hotel & Spa, Newport Harbor Island Resort and Skamania Lodge, and excludes capital expenditures related to the repair and remediation of LaPlaya Beach Resort & Club which was damaged in Hurricane Ian.

Common Share Repurchase Programs, Preferred Share Repurchase Program and ATM Program

Common Share Repurchase Programs

On July 27, 2017, our Board of Trustees authorized a share repurchase program of up to $100.0 million of our outstanding common shares. Under this program, we could have repurchased common shares from time to time in transactions on the open market or by private agreement. As of September 30, 2023, no common shares remained available for repurchase under this program.

On February 17, 2023, our Board of Trustees authorized a share repurchase program of up to $150.0 million of our outstanding common shares. Under this program, we may repurchase common shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. Shares repurchased by the Company cease to be outstanding and become authorized but unissued common shares. As of September 30, 2023, $146.0 million of common shares remained available for repurchase under this program.

During the nine months ended September 30, 2023, we repurchased 6,498,901 common shares under the 2017 and 2023 repurchase programs, for an aggregate purchase price of $91.0 million, or an average of approximately $14.01 per share.

The timing, manner, price and amount of any repurchases under the 2023 program will be determined by us in our discretion and will depend on a variety of factors, including legal requirements, price, liquidity and economic considerations, and market conditions. The program does not require us to repurchase any specific number of common shares. The program does not have an expiration date and may be suspended, modified or discontinued at any time.

Preferred Share Repurchase Program

On February 17, 2023, our Board of Trustees approved a repurchase program of up to $100.0 million of our outstanding preferred shares (the “Preferred Share Repurchase Program”). Under the terms of the program, we may repurchase up to an aggregate of $100.0 million of our 6.375% Series E Cumulative Redeemable Preferred Shares, 6.30% Series F Cumulative Redeemable Preferred Shares, 6.375% Series G Cumulative Redeemable Preferred Shares and 5.70% Series H Cumulative Redeemable Preferred Shares from time to time in transactions on the open market or by private agreement. The aggregate liquidation value of our preferred shares that may be repurchased pursuant to the Preferred Shares Repurchase Program is $715.0 million. During the nine months ended September 30, 2023, no Preferred Shares were repurchased under this program.

The timing, manner, price and amount of any repurchases will be determined by us in our discretion and will depend on a variety of factors, including legal requirements, price, liquidity and economic considerations, and market conditions. The program does not require us to repurchase any specific number of Preferred Shares. The program does not have an expiration date and may be suspended, modified or discontinued at any time.

Inflation

We rely on the performance of the hotels to increase revenues to keep pace with inflation. Generally, our hotel operators possess the ability to adjust room rates daily, except for group or corporate rates contractually committed to in advance, although competitive pressures may limit the ability of our operators to raise rates faster than inflation or even at the same rate.

Seasonality

Demand in the lodging industry is affected by recurring seasonal patterns which are greatly influenced by overall economic cycles, geographic locations, weather and customer mix at the hotels. Generally, our hotels have lower revenue, operating income and cash flow in the first quarter of each year and higher revenue, operating income and cash flow in the third quarter of each year.

Derivative Instruments

In the normal course of business, we are exposed to the effects of interest rate changes. We may enter into derivative instruments including interest rate swaps, caps and collars to manage or hedge interest rate risk. Derivative instruments are subject to fair value reporting at each reporting date and the increase or decrease in fair value is recorded in net income (loss) or accumulated other comprehensive income (loss), based on the applicable hedge accounting guidance. Derivatives expose the Company to credit risk in the event of non-performance by the counter parties under the terms of the interest rate hedge agreements. We believe we minimize the credit risk by transacting with major credit-worthy financial institutions.

As of September 30, 2023, we have interest rate swap agreements with an aggregate notional amount of $1.0 billion to hedge variable interest rates on our unsecured term loans. We have designated these pay-fixed, receive-floating interest rate swap derivatives as cash flow hedges. For a further discussion of our derivative instruments, see *Note 5. Debt* to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Sensitivity

We are exposed to market risk from changes in interest rates. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. From time to time, we may enter into interest rate swap agreements or other interest rate hedging contracts. While these agreements are intended to lessen the impact of rising interest rates, they also expose us to the risks that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly effective cash flow hedges under guidance included in ASC 815 "Derivatives and Hedging."

As of September 30, 2023, $515.0 million, or 21.7%, of our aggregate indebtedness, was subject to variable interest rates, excluding amounts outstanding under the term loan facilities and mortgage loans that have been effectively swapped into fixed rates. If interest rates on our variable rate debt increase or decrease by 0.1 percent, our annual interest expense will increase or decrease by approximately $0.5 million, respectively.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There have been no changes to our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The nature of the operations of our hotels exposes the hotels and us to the risk of claims and litigation in the normal course of business. We are not presently subject to any material litigation nor, to our knowledge, is any litigation threatened against us, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on our liquidity, results of operations or our financial condition.

Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

Common Shares

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1] *(in millions)*
July 1, 2023 - July 31, 2023	—	$ —	—	$ —
August 1, 2023 - August 31, 2023	—	$ —	—	$ —
September 1, 2023 - September 30, 2023	—	$ —	—	$ —
Total	—	$ —	—	$ 146.0

[1] On July 27, 2017, our Board of Trustees authorized a share repurchase program of up to $100.0 million of our outstanding common shares. This program commenced in December 2022 and was completed in June 2023. On February 17, 2023, our Board of Trustees authorized a share repurchase program of up to $150.0 million of our outstanding common shares. This $150.0 million share repurchase program commenced in June 2023, upon the completion of the $100.0 million share repurchase program. Under this program, we may repurchase common shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. As of September 30, 2023, $146.0 million of common shares remained available for repurchase under the $150.0 million share repurchase program.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended September 30, 2023, none of our officers or trustees adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement”.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
31.1†	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1††	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2††	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.(1)
101.SCH	Inline XBRL Taxonomy Extension Schema Document(1)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document(1)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document(1)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document(1)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document(1)
104	Cover Page Interactive Date File (embedded within the Inline XBRL document)(1)

† Filed herewith.
†† Furnished herewith.
(1) Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive Income; (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; (v) Notes to Consolidated Financial Statements; and (vi) Cover Page (in connection with Exhibit 104).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PEBBLEBROOK HOTEL TRUST

Date: October 26, 2023	/s/ JON E. BORTZ
	Jon E. Bortz
	Chief Executive Officer and Chairman of the Board